



**BOARD RETREAT**  
**PUBLIC EMPLOYEES' RETIREMENT BOARD**

**December 11, 2008**

President John Paull called the Board Retreat to order at 8:00 am, Thursday, December 11, 2008. Roll call was taken with all members of the Board being present. Board members and staff present were:

John Paull, President  
John Nielsen, Vice President  
Loren Bough, Member  
Darcy Halpin, Member  
Ray Peck, Member  
Dianna Porter, Member  
Terry Smith, Member  
Roxanne Minnehan, Executive Director  
Melanie Symons, Legal Counsel  
Scott Miller, Legal Counsel  
Ursula Hatfield, Executive Assistant

**OPEN MEETING**

Kim Flatow, Member Services Bureau Chief; Barb Quinn, Fiscal Services Bureau Chief; and Kathy Samson, DC/Education Services Bureau Chief; and Renae Deadmond, Internal Auditor, joined the meeting.

**Public Comment** – No public comment.

**Executive Director's Report** – Roxanne Minnehan, Executive Director

**Board Members individually summarize backgrounds and identify relevant knowledge and experiences they bring to the Board** – Board Members

Included in the retreat packet is the relevant statute identifying the Board make-up and which slot each Board member fills along with each Board member's term expiration date. The governor appoints new Board members as the terms expire. New, as of last legislative session, the Senate confirms the Board appointments. Each current Board member has been appointed by Governor Schweitzer. This agenda item allowed Board members and management team to share their backgrounds, experiences and knowledge.

**Board Meeting Processes** – Roxanne Minnehan

The general purpose of a retreat is to plan; however, because the Board turnover has been significant this retreat will focus on education. Ms. Minnehan would like input from the Board on the 2009 business plan and Board education topics. She presented an overview of plan governance, the Board's Statement of Governance Principles, the Board Processes Policy and a summary of the duties of Board members. Board members requested education on LAWs and pre-retirement workshops.

### **Basic Retirement System Information – Kim Flatow**

Kim Flatow addressed the following: 1.) how many plans do they administer? 2.) What is the difference between a defined benefit plan and a defined contribution plan? 3.) What is a 401(a) plan? 4.) What is a 457 plan? 5.) What is a DROP? 6.) What is salary spiking? 7.) And how does salary spiking impact the retirement system? Ms. Flatow also pointed out the main distinctions between the eight separate defined benefit retirement plans.

### **Detailed Discussion of Retirement Plans – Melanie Symons**

Ms. Symons explained to the Board the difference between the Defined Benefit Retirement Plan and the Defined Contribution Retirement Plan. She also explained the Investment Policy Statements. These were first looked at by the Employees Investment Advisory Council (EIAC). EIAC members represent employers and employee groups and are appointed by the Board. The Board has contracted with an investment consultant, Wilshire Associates. Wilshire does the analysis of the funds in the defined contribution plans and presents their findings and recommendations to EIAC. EIAC then makes final recommendations to the Board.

### **Specific 401(a) and 457 Plans – Kathy Samson**

The Public Employees' Retirement System (PERS) was implemented in 1945. July 1, 2002, the PERS-Defined Contribution Retirement Plan was implemented. From 1945-2001, the Board had only defined benefit plans to administer. Defined contribution plans have unique challenges and attributes. Another challenge is keeping the PERS-Defined Contribution Plan and the PERS-Defined Benefit Retirement Plan similar and ensuring fair treatment to members of both plans.

### **DC Fees for 401(a) and 457 Plans – Kathy Samson**

One aspect of defined contribution plans are fees. Staff specifically discussed the PERS-Defined Contribution Retirement Plan (PERS-DCRP) fees. This agenda item provided schedules and discussion on how fees are determined, used, monitored and reviewed. The PERS-DCRP is still young; therefore, historical information is limited. Now that the plan is in place for over five years, we need to seriously consider what direction to take. Some of the necessary items on the horizon are: database reengineering, imaging system implementation, offering more information/services through web to meet member demands, etc. MPERA also needs to offer on-going investment training to DCRP members. Many factors need to be thoughtfully considered when determining the cash flow needs of the PERS-DCRP Administrative account. The Board also discussed a policy

on fees to provide guidance in a plummeting market, reserve amounts, value-added services and to provide a level of assurance to participants.

### **Understanding Actuarial Valuations – Mark Johnson, Milliman**

Mr. Johnson, Milliman Consultants and Actuaries, presented an overview of actuarial science to assist the Board with understanding the actuarial valuations. Due to the economic environment and with the upcoming legislative session, Mr. Johnson updated the Board on the plans' funding situation with the October 31, 2008 market values. Mr. Johnson also stated they could provide some 20-year projections based on input from the Board of Investments regarding expected performance.

### **Fiduciary Duties – Scott Miller**

Mr. Miller spoke to the Board members about their responsibility to the retirement fund. Mr. Miller explained there are three places to look to define their fiduciary responsibilities. 1.) The State of Montana's Constitution. 2.) State statute, 19-2-511, MCA states "The Board shall exercise its fiduciary authority in the same manner that would be used by a prudent person acting in the same capacity who is familiar with the circumstances and in an enterprise of a similar character with similar aims". This is the prudent persons standard. Statute 19-2-505, MCA states, "The assets of the retirement systems, including the assets of retirement accounts, may not be used for or diverted to any purpose other than for the exclusive benefit of the members and their beneficiaries and for paying the reasonable administrative expenses of the retirement systems administered by the Board." 3.) Federal law. Mr. Miller explained that the members have to forget that the Governor appointed them or what demographic they were to be appointed and do what is best for the plan.

### **Contractors/Vendors Relationships – Barbara Quinn**

Ms. Quinn referenced a chart of vendors and contractors. She explained the role of the vendors and identified which vendors provided services for which plans. She also explained the conferences the MPERA staff attends each year.

### **Adjournment**

The meeting was adjourned at approximately 5:00 pm. The next regular meeting is scheduled for December 12, 2008, at 8:30 am in Helena.